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NATIONAL SECURITY COUNCIL  
WASHINGTON, D.C. 20505

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November 14, 1977

MEMORANDUM FOR:

Mr. Ben Evans  
Executive Secretary  
Central Intelligence Agency

SUBJECT: Policy Review Committee Procedures

The first meeting of the National Security Council's Policy Review Committee acting under the provisions of PD/NSC-17 is scheduled for Friday, November 18.

To assure that standard practices are adhered to, please provide the following to the NSC Secretariat prior to the meeting. The NSC will make distribution of material to be used by the principals as provided by the DC I

- Agenda - Provide in 15 copies for distribution as soon as possible and not later than noon, November 15;
- Support materials, i.e., issue and option papers, program and budget summaries, etc. - in 15 copies for distribution - not later than noon, November 15; and
- Other material, such as all viewgraphs presented in the meeting are to be provided in legible hard copy to the NSC following the meeting (within 24 hours).

You are reminded that official recording of the meeting is the responsibility of the NSC Staff and no other record of the meeting is to be made nor notes taken.

Please feel free to call on me should you have any question.

*Christine Dodson*  
Christine Dodson

NATIONAL SECURITY COUNCIL

Nov 14, 1977

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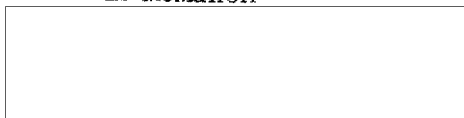
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FOR CHRISTINE DODSON:

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Ben Evans  
CIA Hq  
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Mr. John McMahon



Thanks (3440

Carol

## EXECUTIVE SECRETARIAT

## Routing Slip

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Executive Secretary  
14 Nov 77

Date

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**A**

COPY OF LETTER SENT TO EVERY EPB MEMBER

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Dear

I have felt for some time that it would be beneficial in our deliberations on various international economic policy issues if we would make greater use of the resources of the intelligence community. I have personally found over the past two to three years that intelligence has an impressive capacity to contribute to the economic policymaker but that realization of this potential requires a strengthening of our communication with the intelligence community to ensure that our needs are fully understood.

I have proposed to the Chairman of the President's Foreign Intelligence Advisory Board, Leo Cherne, and to George Bush that CIA representatives sit in on meetings of the EPB whenever they find this would be beneficial; and I have accepted a suggestion from Leo Cherne that we call a meeting of EPB principals two or three times a year to discuss with George Bush and a representative of PFIAB how we might best improve our relations with the intelligence community. You will find attached a copy of my letter to George Bush on this subject which I think will help to clarify these arrangements.

I understand that the NSC intends to undertake the first of its semi-annual reviews of intelligence activities, as required by Executive Order, some time this fall and I am informed that a review of intelligence support to consumers will be a key item on the agenda. For this reason I would like to have an EPB meeting of principals with George Bush at an early date so that we can meaningfully contribute to the NSC review. I have decided to hold this discussion during the regular morning meeting of the EPB on November 9.

- 2 -

During this session I would like each principal to briefly present his evaluation of intelligence support, his expectations regarding upcoming policy issues and negotiations which might benefit significantly from intelligence assistance and any suggestions he might have to improve our interface with the intelligence community.

My Special Assistant, Bill Morell, is familiar with my views in this area and he is prepared to discuss the background and objectives of the meeting with you or with appropriate members of your staff whenever you find it convenient (Treasury extension 2536). Needless to say I would be happy to talk with you personally if you wish.

Sincerely,

/s/

William E. Simon  
Chairman  
Economic Policy Board

JUN 15 1976

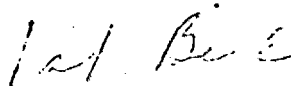
Dear George:

At a luncheon meeting on June 3 with Leo Cherna and members of PFIAB I suggested that it might be useful as a means of improving the interface between the intelligence community and those of us responsible for international economic policy to have CIA representation at selected meetings of the Economic Policy Board. Leo and his PFIAB colleagues supported this idea and added a couple of related suggestions of their own. These thoughts were contained in a letter which Leo sent to me on June 4, a copy of which I am told was sent to you. I have sent out a positive response to Leo today (attached).

If you agree with this general approach I would appreciate your designating a CIA representative who would work with Bill Morrell and with members of Bill Seidman's and Leo Cherna's staffs in developing the necessary implementing arrangements.

As you know from our discussions during my visit to Langley not long ago we are very happy with the progress that has been made over the past two years in intelligence support to Treasury and to certain other members of the EPB as well. I am hopeful that further progress can be made through these new arrangements with the EPB to our mutual benefit. Please let me know if you have any additional thoughts.

Sincerely,



William E. Simon

The Honorable George Bush  
Director, Central  
Intelligence Agency  
Washington, D. C. 20505

Enclosures

WASHINGTON

JUN 14 1975

Dear Leo:

I thoroughly enjoyed my discussion with the Board the other day and, as I indicated at lunch, I hope we can meet together from time to time in the future.

As you know, I have been concerned for some time about the need for developing a more effective interface between the intelligence community and those of us responsible for international economic policy and negotiations. As I reported to the Board we in Treasury have undertaken a number of new arrangements which I feel have substantially strengthened this relationship and have stimulated noticeable improvements in intelligence support. I share your view, however, that further efforts are required in this area.

It is for this reason that I suggested to the Board at lunch the desirability of having a representative from CIA attend the regular Economic Policy Board meetings on appropriate occasions in order that intelligence might gain a better appreciation of current policy and negotiating issues and of the intelligence support we require as well as our evaluation of this support. In addition, I think your suggestion that Bill Casey meet periodically with the EPB principals is a good one and will be mutually beneficial. If there are other EPB sessions which you feel would also be of interest he would be welcome to attend these as well. At these meetings of principals it would be our intention to invite, as you suggest, the Director of Central Intelligence and his senior economic officers so that we might have a full exchange on all aspects of our relations with the intelligence community.



- 2 -

We have discussed this with Bill Seidman and he thoroughly agrees with these proposals. I have asked Bill Morrell to work with Bill Seidman's staff, with your principal staff officers and with George Bush's people to work out the necessary arrangements.

I look forward, Leo, to a close working relationship with you and the Board in the future in our joint efforts to strengthen this vital area of our government's national security activities. Please convey my appreciation to the Board for a most useful meeting.

Sincerely,

*W. E. Simon*

William E. Simon

The Honorable Leo Cherne  
Chairman, President's Foreign  
Intelligence Advisory Board  
The White House  
Washington, D. C. 20500

**B**

MINUTES OF EPB MEETING OF NOVEMBER 9, 1976

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(Note: In addition to the formal minutes, Tab B-1, notes on the meeting prepared by the DCI's National Intelligence Officer, [redacted] and by a member of the DCI's Intelligence Community Staff, [redacted] [redacted] are also attached at Tabs B-2 and B-3.)

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B-1

EPB EXECUTIVE COMMITTEE MEETING

November 9, 1976

Attendees: William E. Simon, L. Wm. Seidman, James T. Lynn, Elliot L. Richardson, W. J. Usery, Jr., John Knebel, Frederick B. Dent, George Bush, Charles Robinson, James Cannon, Leo Cherne, William Casey, William Gorog, Maurice Ernst, [redacted] William Morell, 25X1 25X1 David Laux, Roger Porter, [redacted] William T. 25X1 Coleman

Secretary Simon explained that the purpose of the meeting was to discuss ways to improve the intelligence support for economic policy making. He explained that his comments would be brief and that he had provided his written observations to Director Bush. He expressed his view that the relationship between the intelligence community and Executive departments and agencies was a two-way street.

He requested the EPB Executive Committee members to provide a memorandum to William Morell on their written comments and recommendations of long-term and short-term ways of improving intelligence support for economic policy making. William Morell will subsequently prepare a unified memorandum to Director Bush and Leo Cherne.

Secretary Simon then called on George Bush.

Director Bush expressed his view that economics have become more important in recent years and months in the activities of the intelligence community than in the past. He reviewed a number of current

goals and objectives of the intelligence community in providing economic assistance, including: (1) the economic burden on the Soviet economy of Soviet defense efforts; (2) the world energy situation and the prospects for and impact of an OPEC oil price increase; (3) the world agricultural crisis; (4) developments in world currency markets; (5) the distribution of income between North and South; (6) the impact of technology exchange.

He explained that the intelligence community was already at work on these problems and anticipated continuing the effort, adding that he felt they were doing fairly well on the first project. He indicated that the intelligence community had made a contribution in its efforts on Soviet grain crop forecasting, world petroleum supply and demand, and the intent of OPEC. He reiterated that the CIA was undertaking policy estimates of the Soviet options for their economy in view of the extent of Soviet defense expenditures.

He indicated that the CIA's Directorate of Intelligence (DDI) was attempting to crossfertilize the economic capabilities of the CIA with other elements of the CIA.

He raised the question of the extent of closeness some departments and agencies desired in their relationship with the CIA, suggesting that some seemed to indicate a desire for an arms-length relationship.

Secretary Simon indicated that he felt that during the four years he had been in Washington the relationship between CIA and the departments and agencies which he had worked in had improved significantly, that there was not a desire at the Treasury for an arms-length relationship, and that the Treasury attempted to provide as much information for the CIA as possible, specifically in providing the CIA with Memcons of all contacts between the Treasury and foreign governments

Jim Lynn indicated he felt two particular areas for additional intelligence support would be useful: (1) In terms of our own domestic programs, it would be helpful to know what is happening abroad in certain fields such as national health to the extent that the intelligence community has information on what social programs are working or not working. This would be of inestimable help to domestic policy makers. (2) He outlined what he perceived as a long-term problem which the United States faces in the coming 3 to 5 years and that is dumping by East European and Socialist economies of goods and services to the United States and Western Europe. In short, the problem is that of the interaction between free market and nonmarket economies. In this respect the intelligence community could be of great help in determining how records are kept with respect to costs of production in such economies.

Secretary Usery expressed his view that in some respects the Department of Labor is still at arms length in its relationship with the intelligence community but that during his tenure the relationship has been improving month by month. Specifically, he indicated the Department of Labor could benefit from information with respect to (1) international labor meetings and (2) trade union movements abroad.

Secretary Usery also expressed his concern over the problem of how to handle intelligence information which was classified in such a way that its use could be maximized appropriately. He reiterated that he felt the intelligence community had been a great help to him in recent months.

Secretary Richardson expressed his view that Secretary Simon's initiative in getting better economic intelligence was a lasting and hopefully permanent contribution. He indicated that the Department of Commerce was undertaking a study right now of what kinds of economic intelligence they were gathering and what they were not gathering. His preliminary assessment was that there was not much scientific economic analysis and information and that this side of the intelligence community's output needed to be strengthened. He also suggested the need for strengthening the Economic Subcommittee of the National Foreign Intelligence Board.

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He further indicated his conviction of the need for a systematic review of critical intelligence needs in the future. He suggested having a regular interchange between the providers and consumers of economic intelligence. He observed that one difficulty was the tendency to rate the value of intelligence according to the difficulty of obtaining it and that this was very often an inappropriate way of weighting the value of certain intelligence. (Secretary Simon strongly agreed with this observation.) Specifically, he suggested that there be a regular day per month for the Economic Policy Board Executive Committee members to meet with the Director of the CIA to discuss economic intelligence issues and needs.

Secretary Richardson said that it was his view that we are weak in the analysis of the linkages between economic and political objectives. Specifically, he suggested that the question of leverage was a major one and such questions as how useful economic sanctions are in realizing political objectives merited a good deal more study than he had received in the past. He suggested that it was his suspicion that the amount of leverage was not terribly effective.

Finally, Secretary Richardson raised the issue of classification and his conviction that much of what the intelligence community puts out is overclassified. (Secretary Simon said he couldn't agree with him more.)

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George Bush responded that the CIA has a major effort underway to address this problem and do a better job on sourcing but that he was much more aware of the need for classification after having studied the problem close at hand than he was before going to the agency.

Secretary Coleman said that he had nothing to add on the affirmative side. He did indicate, however, that he frequently meets with Ministers of Transportation, many of them from Eastern European countries, who consistently want a memorandum of understanding regarding the exchange of information. He suggested that he would like some guidelines on what ground rules should govern such understandings since there appears to be no check on the passing of technology between governments.

Leo Cherne suggested that on this question there were several reasons why it was not in the best interest of the United States to simply provide information to foreign countries. First, while they may be able to secure such information from other sources, it does involve tying up their resources in securing the information. Secondly, he suggested that by giving our information away so freely he feels that frequently this lowers the respect of these nations for us and for our common sense. Thirdly, he indicated that much that we provided foreign governments was not simply raw data but also analysis and that they could not necessarily analyze the information with the adeptness that we can.

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Ambassador Dent expressed his view that the economic aspects of intelligence have grown in the recent past and that it is important that those who would be coming into government with President-elect Carter should be briefed on what kinds of economic intelligence is available. He expressed his support for the notion that there is not enough of a two-way flow between the intelligence providers and consumers.

William Gorog suggested the merit of developing an early warning system or early intelligence report which would alert U.S. policy makers and possibly American businessmen on production decisions taken abroad. For example, he said, we have recently been through the question of mushroom imports which have surged from Taiwan and Korea. In this instance, he said, it would have been very helpful three years ago to know that Taiwan and Korea were undertaking a massive expansion in their production of mushrooms.

Deputy Secretary Robinson explained that he had gotten together at the State Department those officials who were the main users of economic intelligence and that it was their view that there should be a closer cooperation with Treasury on the exchange of information.

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He explained that there is presently a split in the State Department between political and economic staffs but that in his mind the distinction between political and economic is becoming more blurred and that there was a need for the CIA to recognize this blurring between political and economic which is occurring.

George Bush responded by saying that he was working on what Deputy Secretary Robinson referred to as the "chasm in the CIA between political and economic" and that there was an attempt underway to integrate more fully these two perspectives.

Deputy Secretary Robinson raised the issue of how far the Central Intelligence Agency should go in providing an assessment of the policy implications of certain data and analyses.

Secretary Simon said that he personally would welcome a great deal more of it, and while he might not agree or adopt the policy recommendations of the CIA, he would enjoy having the benefit of them.

Secretary Richardson indicated that the congressional sensitivity on this point resulted from the feeling that if the intelligence community makes policy recommendations it will begin to slant or modify its intelligence gathering activities to support its policy preferences. He added that his solution to this problem would be to increase the interaction of the officials at the top of departments and the CIA.

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Director Bush indicated that he was very wary of the CIA becoming heavily involved in making policy recommendations in view of the sensitivity on the Hill on recent activities of the CIA.

Deputy Secretary Robinson noted that frequently requests to the CIA from various departments and agencies overlap and that there is a need to better coordinate requests. His suggestion was to have Under Secretaries Yeo and Rogers meet with Maurice Ernst periodically so that the requests of State and Treasury would be better coordinated.

Director Bush indicated that the National Foreign Intelligence Board tends to emphasize military and strategic questions and problems and that it may be useful to have an Economic Intelligence Board.

Secretary Knebel said that he felt that cooperation had been good between the Department of Agriculture and the CIA. He added that the Department of Agriculture had a lot of industry sources who provide data to the Department of Agriculture. This information is then passed on to the CIA and it comes back classified. He suggested there was a need for a more formal periodic assessment of economic intelligence matters.

William Seidman expressed his view that the key problem in the interface between the intelligence community and Executive Branch

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departments and agencies is how the White House is organized. In this connection, he suggested that it is essential that the organizational structure not separate international and domestic economic policy. Moreover, a White House organization should seek to eliminate duplication of efforts. He said the most useful thing that the White House and Executive Branch departments and agencies could do is to coordinate their demands on the time and resources of the intelligence community. He added that he felt the cooperation between the intelligence community and his office had been excellent.

Secretary Simon indicated that he supported the view that a White House coordinating mechanism such as EPB should be continued, that he had heard President-elect Carter was considering going back to the quadriad and that he considered this would be highly detrimental to economic policy making.

James Cannon indicated that he supported the point made by Jim Lynn that to the extent the CIA has information on social programs abroad, including health, education, assistance to the poor, etc., that it would be extremely helpful to domestic policy makers to have the benefit of intelligence regarding how well these programs have in fact worked.

Leo Cherne said that he was delighted and pleased with today's discussion and that he was astonished at how well economic policy

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making was organized now compared to the situation two or three years ago. He expressed his concern that it would be too bad if the lessons of policy coordination had to be relearned all over again.

Elliot Richardson suggested that one important way to try to ensure that this would not occur was for each Cabinet officer to discuss the issue with his successor.

George Bush said he had a meeting scheduled soon with President-elect Carter and that he would talk with him about this.

Leo Cherne said there was a good deal of simple mythology about how executives make decisions and that one issue he felt was important to get answered is how well does intelligence information help in the actual decision making process.

Secretary Simon said that during his experience at the Treasury they had formalized policy making to the greatest extent possible in an effort to ensure that the information available was appropriately used. However, he added that this depended very much on the style of the decision maker.

Secretary Richardson then said there were really three styles of decision making. First, seat-of-the-pants decision making; second, exhaustive analysis or the constipation approach; and third, decisive ignorance.

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William Casey said he had three basic points to make. First, he felt that the greatest deficiency in the intelligence community was in their analytical work. Specifically, he suggested that more effort needed to be devoted to the question of the conversion of economic assets into military strength, where do we have leverage and how much leverage do we have as a result of our technological advances. Second, the absence of a forum for considering and focusing on long-term problems such as the problem of leverage. He suggested that this was a very different problem from current economic policy making. Third, he suggested the need for devoting more resources to the technological aspects of economic intelligence.

Director Bush said that we must be realistic and that at this time many of our business friends run for cover when we go to them for help and they are very sensitive to their linkages to the CIA and that this has already had some effect on our collection efforts. He added that we are still in a period of wound healing. However, he thought the suggestion of having businessmen participate in analytical discussions on technological issues was a good one.

Secretary Simon requested that Roger Porter distribute the memorandum from William Casey on economic intelligence.

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B-2

11 November 1976

MEMORANDUM FOR THE RECORD

SUBJECT: DCI's Meeting with the EPB 9 November

1. At Treasury Secretary Simon's initiative, the DCI met with the Economic Policy Board (EPB) on Tuesday morning, November 9, to review the relationship that has evolved between intelligence and economic policymaking.

2. It was a unique session in three respects:

- (a) The level of attendance -- the full economic cabinet and all but one White House principal (Greenspan) were present; two members of the PFIAB (Chairman Cherne and Bill Casey) also attended.
- (b) The length of the meeting -- 1 1/2 hours, a good deal longer than normal EPB meetings and
- (c) The upbeat tone of the discussion -- mostly expressions of appreciation of the intelligence contribution to policymaking and a strong vote in favor of more.

3. Simon, who chaired the meeting, asked the DCI to make some brief introductory remarks. The DCI noted the increasingly pervasive role of economics in decisionmaking and the large number of issues on which we now provide policy-oriented intelligence. He cited some of our major accomplishments and indicated our awareness of some of our shortcomings -- the need for more comprehensive integrative estimates, for better institutional initiatives to stimulate such estimates, and for a greater use of external research to supplement our internal capabilities. He concluded with an invitation to those present to take a retrospective view of their experience of the past few years and to share with us their appraisal of their own performance in relating to intelligence and the desirability of developing a more "intimate" as compared with an "arm's length" relationship with intelligence.

4. Simon weighed in immediately with a strong endorsement of intimacy, emphasizing that he had done all he could to draw CIA closer to policy by sharing his briefing books and personal

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policy memoranda and engaging in a continuous dialogue. He reiterated his vigorous support of a closer intelligence role in the policy process.

5. Simon then went around the room asking each EPB member to comment. Following are some of the highlights of these comments:

(a) Substantive. A number of apt suggestions were made by Richardson, Lynn, and Dent for the kinds of intelligence support they would like to see:

- early warning of new economic problems or issues that might face policymakers in the future; e.g., the possibility that the Soviet Bloc, in its desperate pursuit of hard currency earnings, might resort to dumping on a large scale, and the need for developing new, specialized rules for defining "dumping" so that it is meaningful in the context of a non-market economy.
- improving the economic-political-diplomatic linkages in policymaking, such as by improving our understanding of what constitutes economic leverage -- Richardson suggested a study of the history of economic sanctions. Do they work? Are we overestimating leverage potential? Can intelligence identify leverage opportunities?
- more analyses of a longer-term nature, focused on US policy interests.

6. There were also some suggestions that seemed less appropriate as intelligence tasks:

- a study of the experience of other countries with social welfare programs, to highlight what was viewed as a widespread disillusionment with an overly intrusive government role
- a study of activities of international unions, particularly in reacting to the activities of multinational corporations
- more forward-looking intelligence on the emergence of new industries that might be helpful to the commercial interests of American business firms.

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7. These and other substantive comments were all explicitly aimed at more policy-focused analysis, with the single exception of Chuck Robinson, whose remarks reflected a view not uncommon within State that it is undesirable for intelligence to draw policy implications. Simon disagreed vehemently with this view, arguing that, as far as he was concerned, intelligence should not only draw policy implications, but should actually make explicit policy recommendations. But to this, both the DCI and Richardson took immediate exception, pointing out that intelligence recognizes the limits of its charter. It must remain aloof from specific policy lines, if it is to avoid biasing its own analysis. Examining alternative policy options is one thing, making policy recommendations quite another.

(b) Institutional. Most of the remaining comments dealt with the problems of coordinating and integrating both the policy process and the use of intelligence to serve that process. For example:

- Robinson was concerned that State's and Treasury's competitive tasking of intelligence might overwhelm the Office of Economic Research and that tasking therefore should be coordinated between them.
- Richardson recommended a joint EPB-NSC policymaking framework, so as to integrate economic issues more fully into the national security decision process.
- Richardson expressed a desire for Commerce to join Treasury in being represented on the NFIB and its Economic Intelligence Committee.
- A most cogent point was made by Seidman, who pointed out that the key to both intelligence and policy integration is how the White House is organized. He asserted that the separation of international from domestic economic policy that has occurred was pure foolishness, and argued that the EPB should have been the focal point both for coordinating economic intelligence tasking and integrating the intelligence input. He blamed the failure to do this on the shortcomings of White House organization.


(c) PFIAB Comments. Chairman Leo Cherne expressed amazement at the extraordinary nature of this meeting and the hope that its lessons will not be lost upon the new Administration. Simon urged the DCI to do his best to convey what we have learned to the transition team.

Cherne then commented on the futility of trying to develop standard formulas or SOPs for channelling intelligence into the decision process, given the fact that nobody really understands how executive decisions are made. (He cited a recent Harvard Business Review article showing how every chief executive makes decisions his own way.) There was much agreement on the critical dependence of decision processes on personal style.

Bill Casey was then asked to summarize a memorandum he had prepared for the PFIAB on his view of future economic intelligence requirements. (The memo will be circulated separately.) Casey sees the real deficiencies as the lack of "comprehensive economic analysis", the absence of a forum for evaluating overall economic strategy and threats, the excess of concern for military as compared with economic S & T, and our failure to tap the economic wisdom of the business community at high levels.

8. The meeting ended on a general tone of consensus: intelligence support for economics is valuable, should and can 25X1 be strengthened, and ought to be expanded into wider and more ambitious reaches.

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National Intelligence Officer  
for Economics

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B-3

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THE DIRECTOR OF CENTRAL INTELLIGENCE

WASHINGTON, D. C. 20505

Intelligence Community Staff

IC 76-2432  
19 November 1976

MEMORANDUM FOR THE RECORD

FROM :   
Chief, Production Assessment and Improvement  
Division, OPEI

SUBJECT: Economic Policy Board Meeting on Intelligence,  
9 November 1976, 0830, Roosevelt Room, White House

PARTICIPANTS

Principals

Treasury - Secretary Simon (Chairman)  
Commerce - Secretary Richardson  
Agriculture - Acting Secretary Knebel  
Labor - Secretary Usery  
Transportation - Secretary Coleman  
DCI - Mr. Bush  
State - Deputy Secretary Robinson  
President's Special Trade Representative - Ambassador Dent  
White House - Mr. Seidman  
                    Mr. Gorog  
OMB - Mr. Lynn  
PFIAB - Mr. Cherne  
            Mr. Casey

Others

White House - Mr. Porter  
CIA - Mr. Ernst  
ICS - CDR Martin  
NIO -   
Treasury - Mr. Morell  
Commerce - Mr. Laux

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systematic review and documentation of economic intelligence needs is required, including regular user-producer interchange. A regular monthly meeting of the EPB with the IC might be scheduled. There is a need for an EPB-NSC-IC examination of the economic levers which could be used for national security purposes--i.e., "opportunity-oriented" intelligence. Ways must be found to get sanitized (downgraded) intelligence to staff-level users. Richardson thought there was a tendency to overclassify; Simon agreed.

7. DCI Bush replied that this subject was currently being studied but emphasized source protection was a real problem which limited what could be done to downgrade sensitive material. Richardson said that better IC awareness of user needs will permit intelligence reports to be sanitized in ways tailored to specific user needs. Ernst said OER does this in answering specific requests but problems arise in producing reports for a wide audience of users.

8. Secretary Coleman noted that there was an extensive exchange of information between USG officials and foreign dignitaries; with no systematic means of checking for security on the information so disseminated. He also mentioned the outflow of technology information and data.

9. Ambassador Dent urged the IC to develop a briefing for new top people. It should include information on what's available and the ways in which users and the IC mesh. Users need to do more to relate to the IC.

10. Mr. Gorog said there was need for an early warning system on foreign production, investment and trade decisions to alert the USG and U.S. business interests--a kind of commercial intelligence report through Commerce to American business.

11. Deputy Secretary Robinson remarked that State was generally pleased with its relations with CIA but felt a closer exchange of information between State and Treasury was needed. In the real world the distinction between economic and political factors is often blurred. CIA needs to integrate political and economic analysis. Bush noted that the reorganization of the DDI is intended in part to effect improvements in multidisciplinary analysis.

12. Robinson urged that CIA make a clear distinction between facts and assessments (analysis of the facts). CIA should do more policy assessment of facts. Bush, noting Congressional criticism, said CIA needs to be extremely careful not to appear to be favoring one course of policy over another. Richardson said the answer is more top-level policy maker-IC interaction.



1. Secretary Simon requested all EPB members to send memos to Mr. Morell giving their views on intelligence support. Treasury will collate the recommendations and refer them to the DCI.

2. Mr. Bush noted the extent to which economics plays an increasingly pervasive role in our overall intelligence effort. He listed some recent accomplishments of the Intelligence Community and outlined efforts to improve the integration of various pieces of the intelligence production into a more comprehensive multidisciplinary framework. He concluded by soliciting the views of the EPB members on the perennially difficult question of how close the relationship between policy makers and the Intelligence Community should be (see attachment for further details on his remarks).

3. Secretary Simon observed that Treasury had tried to draw CIA close to policy through debriefings, sharing policy papers, etc. There was a special problem in communicating some kinds of information because of State's use of the EXDIS classification on cables. Economic policy users felt more of the Intelligence Community resources should be devoted to economics.

4. Mr. Lynn suggested headline clippings from the foreign press and more analysis of domestic political trends in foreign countries would be useful. The various Departments should do more to alert the IC to downstream problems which the USG will have to face. Intelligence should make a particular effort to report on how countries cope with domestic problems such as unemployment. Intelligence can also help verify trade agreements with foreign countries and alert the economic community to potentially harmful foreign actions such as East European countries dumping cheap goods on Western markets.

5. Secretary Usery said his Department needs to understand what the IC can provide in the labor field, including information on multinational corporations and the international trade unions. There is a problem in finding ways to disseminate intelligence to lower-level officials without security clearances. The IC has been of great help to him in recent months.

6. Secretary Richardson commended Simon for his efforts to improve relations between policy makers and the IC, noting the current study in Commerce on this matter. He felt there should be better representation for the economic community on NFIB and EIC--possibly an observer on NFIB for Commerce. More

13. Robinson suggested regular OER/State/Treasury coordination meetings concerning the production of economic studies.

14. Acting Secretary Knebel said Agriculture has been a user of intelligence since 1972. He seconded the motion for establishment of an economic intelligence coordinating mechanism.

15. Mr. Seidman remarked that the need for an EPB or some other White House mechanism to coordinate economic policy and intelligence will continue.

16. Mr. Gorog agreed with the point made earlier by Mr. Lynn that more information on how other countries cope with domestic problems such as unemployment will help in formulating U.S. policy and justifying U.S. programs to Congress.

17. Mr. Cherne asserted that major progress had been made during the last several years in improving the intelligence inputs to economic policy decisions. We must do something to assure that the new Administration has similar cooperation between intelligence and economics. Bush said he would raise this problem and cite the conclusions of the EPB meeting when he sees President-elect Carter.

18. Mr. Casey said PFIAB should report to the President on economic intelligence requirements and he will circulate a paper on the subject. The real deficiency in intelligence output is the lack of analysis, especially on long-term problems. He felt, for example, that intelligence should project the ways that a country might convert its economic assets into political power and military strength. Casey said there is no forum for long-term evaluation of economic strategy and threats, comparable to the NSC forum in the military and arms control areas. Some intelligence resources should be shifted from military S&T to economic S&T. Also, there is a need to organize the IC's domestic contacts to focus them on key economic problems. Bush remarked that many business contacts are very sensitive to the appearance of collaboration with CIA. Casey added that he had in mind obtaining economic analytic help from the business community, rather than increased use of businessmen to collect information.

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Attachment  
DCI Opening Remarks for  
EPB Meeting

DCI Opening Remarks for EPB Meeting

Pervasive Role of Economics --

I'm struck by the extent to which economics plays an increasingly pervasive role in our overall intelligence effort. This will come as no surprise to this group, since you must cope daily with the pervasive role of economics on the policy side.

For our part, we do find that we must incorporate more and more economics into our political, technological and strategic analyses. Here are some examples:

Typical Economic Intelligence Issues --

- ° The significance of the economic burden of the Soviet defense effort,
- ° The growing world-wide energy deficit,
- ° The persistent Soviet agricultural crisis,
- ° Growing instability in world currency markets,
- ° The clamor to redistribute incomes between North and South,
- ° Problems of technology exchange among Western countries and technology

-- all of these have profound political and strategic ramifications that we know are of deep policy concern to you. For the Intelligence Community, these complex issues pose new challenges for which we are not as yet fully prepared -- any more than the policy community is itself fully equipped to assess or cope with these issues comprehensively.

But we are making progress. I think we have reason to take pride in some of our recent accomplishments. A few examples:

Some Accomplishments --

- ° Our much more sophisticated handling of the tricky Soviet defense expenditures issue.
- our considerable investment in this area is beginning to pay off.

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- ° Our projections -- widely accepted within the US Government -- of the world petroleum demand-supply balance and what it portends for oil-pricing decisions and OPEC cohesion.
  - ° Our work on Soviet and East European hard currency indebtedness, and other aspects of East-West relations that might offer the US some policy leverage.

These analyses are, of course, all done in anticipation of, or in response to immediate policy-level interest, and technically, I am told, many of these studies are of high quality and useful.

#### Need for Multi-disciplinary Framework --

On the other hand, I am also aware that we need to do better in integrating the various pieces into a more comprehensive multidisciplinary framework. Both Leo Cherne and Bill Casey of the PFIAB have made this point to us forcefully in the past; the IC Staff's just completed Survey of User Reactions, (done in connection with the NSC Semiannual Intelligence Review) also testified to our shortcoming in this area.

We realize that demands are being placed on us for studies that require interaction across traditional disciplinary lines in a way we never had to worry about before, and that has been difficult for the academic community as well.

#### What We are Doing About It --

To improve our performance, we are working in three directions:

- (1) More comprehensive studies. We have launched a series of policy-oriented integrative estimates. For example:

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- ° A major study of the Soviet economy looking at the collective implications for Soviet options of their heavy defense burden, their chronic agricultural deficiencies, their limited foreign exchange earning capacity, and their considerable resource commitments to Eastern Europe. How are all these likely to impact on Soviet decision-making?

(2) Better institutional incentives. CIA's new DDI is developing new organizational devices for breaking down the functional divisions that now exist between economics, politics, strategy and technology.

For example, he is forming special task forces under his own direction to draw on analysts with special skills from different offices to work together -- and will make sure that they receive appropriate recognition for such work.

(3) External research. We are looking increasingly for ways of drawing the academic and outside research community in to contribute to our longer-term, less classified work, especially where their capabilities may, in fact, be more appropriate than our own. For example:

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- ° We are also working, together with OSD, on the creation of a new research institute that would do the kind of long-term sustained, largely unclassified research on the Soviet economy and society which is now so critically lacking, and that would be able to contribute to some of our classified work as well.

Now I have given you some indication of our problems and what we are doing to improve our performance. But as I understand the purpose of this meeting, I am here also to gain the benefit of your views and ideas.

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Need for Better Interaction

Probably the most important ingredient in an improved intelligence performance is a close, continuous, communicative relationship with policymakers, or at least with policy-level staffs. But this raises a difficult question on which I would appreciate your comments:

- ° How much intimacy? While the Intelligence Community seeks and needs close communication to serve you well, the policy community generally feels that it must maintain an arm's length relationship with Intelligence. In your experience, to what extent can or should this contradiction be resolved?
- ° A retrospective view. More generally, this may be a good time in history to look back at your experience in dealing with Intelligence over the past few years. We would find it most helpful if you could ask yourselves "if you had it to over again, what, if anything, would you do differently in relating to us?" And is there anything we can do about it?

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6 DEC 1977

MEMORANDUM FOR: Director of Central Intelligence

FROM: John N. McMahon  
Acting Deputy to the DCI for the  
Intelligence Community

SUBJECT: Treasury Request of COMINT Access

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1. Action Requested: You are asked to approve the addition of six COMINT clearance billets for the Department of the Treasury. The Treasury memorandum of request is attached.

2. Background: Per your policy of July 1977, Treasury froze its level of COMINT access approvals at the June level of 145 which was the actual number of individuals cleared for COMINT at that time. Unlike DIA and the military departments, Treasury does not have an SCI access billet structure which permits them flexibility in granting COMINT access as job responsibilities dictate.

3. There has been an increasing use of COMINT information within Treasury, both in support of the economic policy process and enforcement activities.

4. The six additional COMINT access approvals are required due to personnel increases in the Office of the Secretary.

5. Recommendation: I recommend that you approve the requested increase of six COMINT access billets for the Department of the Treasury.

/s/ JOHN N. McMAHON

John N. McMahon

Attachment:  
Treasury Request

EXECUTIVE SECRETARY FILE

*Treasury*

25X1

Copy 2 of 5

E2 IMPDET CL BY

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~~SECRET~~



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- 1 - DCI
- 2 - ER
- 3 - A/D/DCI/IC
- 4 - IC Registry
- 5 - SIGINT Committee File

25X1

DCI/SIGINT Committee/  pbr/1291 (1 Dec 77)

25X1

S E C R E T

SUBJECT: Treasury Request of COMINT Access

/s/ Stanfield Turner

APPROVED: \_\_\_\_\_  
Director of Central Intelligence

DISAPPROVED: \_\_\_\_\_  
Director of Central Intelligence

DATE: 28 DEC 1977



~~SECRET~~  
OFFICE OF THE SECRETARY OF THE TREASURY  
WASHINGTON, D.C. 20220

November 29, 1977

25X1 MEMORANDUM FOR: [REDACTED] 25X1  
Chairman, SIGINT Committee  
25X1 FROM: [REDACTED]  
Special Assistant to the Secretary  
(National Security)  
SUBJECT: Compartmented Clearances  
REFERENCE: Your Memorandum of 19 July 1977  
(TCS-889213-77)

Per instructions in reference, we have kept you apprised of the number of persons indoctrinated for COMINT. That number has remained at our 1 June level of 145, but we have had considerable difficulty in maintaining that level and also ensuring the necessary access for those with a "need-to-know."

With the increasing use of COMINT within Treasury, both in support of the economic policy process and enforcement activities, there is an immediate requirement for a modest increase in our 1 June level of indoctrinated personnel. For example, several new staff positions have been established within the Office of the Secretary in the Enforcement area and the officers occupying them require access to COMINT in carrying out their duties.

I, therefore, request an increase in our authorized level of COMINT indoctrinated personnel from 145 to 151. Your earliest convenient response would be appreciated.

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CLASSIFIED BY	DCI Memo 19 July 77
EXEMPT FROM GENERAL DECLASSIFICATION	
SCHEDULE OF E.O. 11652, EXEMPTION CATEGORY:	
§ 1.1, (1), (2), or (4) (circle one or more)	
AUTOMATICALLY DECLASSIFIED ON	
impossible to determine	
(unless impossible, insert date or event)	

~~SECRET~~

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## ROUTING

TO:	NAME AND ADDRESS	DATE	INITIALS
1	<i>DC</i>		<i>[initials]</i>
2	<i>DI security</i>		
3			
4			

<input checked="" type="checkbox"/> ACTION	<input type="checkbox"/> DIRECT REPLY	<input type="checkbox"/> PREPARE REPLY
<input type="checkbox"/> APPROVAL	<input type="checkbox"/> DISPATCH	<input type="checkbox"/> RECOMMENDATION
<input type="checkbox"/> COMMENT	<input type="checkbox"/> FILE	<input type="checkbox"/> RETURN
<input type="checkbox"/> CONCURRENCE	<input type="checkbox"/> INFORMATION	<input type="checkbox"/> SIGNATURE

## REMARKS:

*For review + comment to  
DCI. per our conversation.*

FROM:	NO.	DATE
<i>[signature]</i>		<i>8 Dec.</i>

**Top Secret**

(Security Classification)

CONTROL NO. 25X1*6 Dec 77*

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**COMINT**

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E2 IMPDET

**ROUTING**

TO:	NAME AND ADDRESS	DATE	INITIALS
1	ER		
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	ACTION	DIRECT REPLY	PREPARE REPLY
	APPROVAL	DISPATCH	RECOMMENDATION
	COMMENT	FILE	RETURN
	CONCURRENCE	INFORMATION	SIGNATURE
REMARKS:			
FROM: NAME, ADDRESS, AND PHONE NO.			DATE
A/D/DCI/IC			

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**COMINT**

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(Security Classification)

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